BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2020-176-E

In re:

Application of Duke Energy Progress, LLC for Approval of Demand-Side Management and Energy Efficiency Rider 12, Decreasing Residential Rates and Increasing Non-Residential Rates	DUKE ENERGY PROGRESS, LLC'S RESPONSE TO COMMENTS

Duke Energy Progress, LLC ("DEP" or the "Company") provides the following response to the comments filed by parties to the above-referenced proceeding. The Company requests that the Commission approve the Company's Rider 12 Application to be effective January 1, 2021.

I. Background

On July 31, 2020, the Company filed its annual application to recover certain costs and revenue associated with its demand-side management ("DSM") and energy efficiency ("EE") programs. The proposed Rider 12 provides for the recovery of DEP's South Carolina-allocated DSM/EE costs for the test period, January 1, 2019 through December 31, 2019, and for the forecast period, January 1, 2021 through December 31, 2021; net lost revenues for DSM and EE programs as applicable; and program/portfolio performance incentives as applicable, in accordance with Order No. 2015-596. That order, which granted the Company's application for implementation of a new EE/DSM cost recovery mechanism, permitted DEP to annually recover all reasonable and prudent costs incurred for adopting and implementing DSM and EE measures.

On October 15, 2020, Walmart Inc. ("Walmart") filed a letter in lieu of comments. Also on October 15, 2020, ORS filed its review report, and the Southern Alliance for Clean Energy, the

South Carolina Coastal Conservation League, and the South Carolina State Conference of the NAACP (collectively, "SACE/CCL/NAACP") filed comments.

II. ORS Report

In its report filed in this proceeding, ORS recommends the approval of the Company's requested Rider 12 rates as proposed in their Application, finding that "the updated Rider DSM/EE-12 was developed in accordance with the terms and conditions set forth by the Commission and is based on reasonable estimates of participation in the Company's DSM and EE programs." ORS Report at 12.

ORS also expressed concern that the Residential Smart $aver program and the EnergyWise for Business program have not passed cost effectiveness tests and recommended that the Company incorporate the changes necessary to improve their cost effectiveness.

The Company appreciates ORS's review of the Company's application and its recommendation that its proposed Rider 12 application be approved by the Commission. As for the Residential Smart $aver and the EnergyWise for Business programs, as noted in ORS's report, the Company expects the cost effectiveness of the Residential Smart $aver program to improve by 2022 as a result of the modifications approved in 2019, and EnergyWise for Business will cease enrolling new participants until the program is cost effective.

III. Other Parties' Comments

Walmart does not oppose the Company's proposed rider in this proceeding, and reaffirms its willingness and desire to work cooperatively with the Company and ORS. In its comments, Walmart commends the Company for its opt-out provisions and strongly supports those provisions.

SACE/CCL/NAACP filed extensive comments in this annual cost recovery proceeding offering views on various topics, which are addressed in more detail below. The Company looks forward to continuing to work within the Collaborative with SACE, CCL, and other stakeholder-members for the purposes of refining its program offerings and their effectiveness.

A. Introduction

As a preliminary matter, while the Company is always looking for new ways to improve and expand its EE/DSM program offerings, the Commission-approved mechanism and the enabling statute, S.C. Code Ann. § 58-37-20, require that these programs be "cost-effective." Whatever investment the Company makes in its EE/DSM programs, that investment is recovered from customers through the EE/DSM rider. The cost-effectiveness requirement ensures that customer rates are not inflated by over-investment in programs which do not reduce system costs adequately. Because the investment in EE/DSM programs directly impacts customers' rates, the Company is wary of deploying measures that may end up costing customers more than they save.

B. 1% Savings Goal

In its comments, SACE/CCL/NAACP state that, despite maintaining a cost-effective portfolio of EE/DSM programs, DEP has fallen short of the 1% goal referenced in the 2011 merger settlement with SACE and CCL. This 1% goal memorialized in the settlement agreement officially ended in 2019. While DEP has worked consistently to achieve the aspirational goal of savings equal to 1% of the previous year's retail sales since the goal was established, circumstances largely outside the Company's control have made meeting that target more difficult. One of the largest obstacles to achieving the 1% is the inclusion of opted out customers in the baseline of the calculation. Customers who have opted out of the rider are ineligible to participate in the Company's program offerings, so it makes little sense to include them in this calculation. When these customers are removed from the calculation, DEP actually exceeded the 1% goal in 2019, achieving savings equal to 1.3% of 2018 eligible retail sales. The Company has replaced its 2016 market potential study with a new one in 2020. This new study will inform the Company and stakeholders of the savings potential going forward.

C. Stakeholder Collaborative

SACE/CCL/NAACP states that it would like to develop a strategic plan to assist DEP with meeting a 1% annual goal, and that the Collaborative should present the "final results" to the Commission. The Company notes, again, that the 1% reduction target was a goal set by the 2011 merger settlement, a goal that ended in 2019. While the Company is always seeking input and insights from the Collaborative as to improvements for its program offerings, SACE/CCL/NAACP's attempt to formalize the 1% goal through a strategic plan and reporting to the Commission would be an unnecessary distraction from the Collaborative's role and work as an advisory group. Further, the Company believes that SACE/CCL/NAACP's recommendations are inconsistent with the scope and purpose of the Collaborative, and that such changes are unnecessary in light of the work already being accomplished. The Collaborative serves as an advisory group of interested stakeholders who provide insight and input to the program administrator, Duke Energy. At page 8 of its comments, SACE/CCL/NAACP "commend DEP for its continued willingness to engage with Collaborative participants on new program concepts and strategies for achieving increased energy savings, including its consideration of new technologies, delivery channels, financing mechanisms, as well the Company's efforts to reach underserved customer segments and address utilization of particular measures." Indeed, as noted in the SACE's annual "Energy Efficiency in the Southeast" report, DEP is a leader in EE savings across the Southeast,[1] and is committed to offering any and all cost-effective energy efficiency opportunities. DEP sees no benefit in setting an arbitrary date and applying a "project schedule" to a process that is already working well. The lower projections noted in the comments result from factors well-known to the Collaborative that are outside of the Company's control, namely

[1] *See* Southern Alliance for Clean Energy, *Energy Efficiency in the Southeast: 2019 Annual Report* at 5 (2019), *available at* https://cleanenergy.org/wp-content/uploads/2019-EE-in-SE-Final.pdf.

increased federal equipment standards and changing market conditions. For example, energy savings from residential lighting measures alone are projected to be 73% lower in 2021 than they were in 2019. Additionally, as Collaborative members have been informed, because projections in the Company's Rider filings are used to set rates, the Company is appropriately conservative in its projections in order to avoid improperly raising rates and over-collecting from customers.

D. Collaborative Reporting to the Commission

SACE/CCL/NAACP has also proposed that the Collaborative formally report to the Commission. The role of the Collaborative, however, is as an advisory group to the Company in order to improve its EE/DSM program offerings, and reporting between the Collaborative and the Commission would therefore be unnecessary and outside of the scope of this role. As described in the Commission's order approving the EE/DSM cost recovery mechanism:

> DEP will provide its Stakeholder Collaborative with information relating to Programs and Measures either currently being considered or planned for future consideration. DEP will also seek suggestions from its Collaborative for additional Programs and Measures for its future consideration.

Order No. 2015-596 at 5, Docket No. 2015-163-E (Aug. 19, 2015). This is the role of the Collaborative: to exchange information and suggestions for EE/DSM programs and measures directly with the Company. Further, as described in that order, "Participation in the advisory group will not preclude any party from participating in any Commission proceedings." *Id.* at 8. As in past proceedings, no party is precluded from filing its own comments and perspective with the Commission, as SACE/CCL/NAACP has done in this case.

Further, members of the Office of Regulatory Staff participate in the Collaborative and provide a review report to the Commission, and individual organizations—such as SACE and CCL—participate in the Collaborative and can report on the Collaborative's activities by filing comments with the Commission, as they have done in this EE/DSM cost recovery proceeding and in previous proceedings. Because the Collaborative includes both South Carolina stakeholders and stakeholders who are only involved in North Carolina proceedings—for example, the North Carolina Public Staff and North Carolina industrial groups—a requirement that the Collaborative report to the Commission would be improperly imposed upon these North Carolina entities.

E. Low-Income Programs

While SACE/CCL/NAACP asks the Commission to require DEP to place a higher priority on expanding low-income programs, the Company is mindful of the historic difficulty of creating low-income programs that pass cost-effectiveness tests. Nevertheless, the Company is eager to help low- and middle-income households in its service territory as demonstrated by its pilot program in Buncombe county and its inclusion of measures for deeper retrofits within the Neighborhood Energy Saver program, and will work with stakeholders to try to identify additional opportunities.

SACE/CCL/NAACP states that DEP's low-income programs "underperform" as compared to DEC, and referenced the 3.7 GWh of savings of DEP in 2019 as compared to DEC's 9 GWh savings. DEC, however, has over 1.5 times the number of residential customers of DEP, making such a comparison faulty. Based on this premise, SACE/CCL/NAACP offers that DEP should take certain steps to expand its low-income programs by increasing funding and deployment of programs that would, for example, replace customers' HVAC systems or water heaters. The Company is exploring ways to expand the offerings for low-income households and will continue to work within the Collaborative to discover and vet new program ideas that will encourage participation and increase energy savings. As noted, the new Market Potential Study should also help identify new opportunities for EE/DSM investment.

F. EE/DSM Response to the Pandemic

Duke Energy launched a corporate strategy to address the needs of customers in the context of the COVID-19 pandemic, rather than through an EE-specific plan. The corporate strategy includes initiatives such as a moratorium on disconnections; the suspension of all fees associated with connection, reconnection and payments; and Duke Foundation financial support for food banks and agencies that provide bill assistance. While the Company had to temporarily suspend programs that require in-home consultations or installations, it updated its customer communications with more tips related to working from home, and it continues to provide self-install measures such as energy saving kits and free LEDs by mail to qualifying customers. Additionally, nearly all programs have resumed full operations now that the Company is confident that the safety of its customers and employees can be ensured. The Company is also engaged with the Collaborative and a number of organizations to ensure that it is adopting the best practices available to EE/DSM implementers during the pandemic. Further, the Company filed a proposal on October 2, 2020, in Docket No. 2015-163-E, that would provide an increased incentive for customer enrollment in the Bring Your Own Thermostat program for the remainder of 2020; this incentive would "provide financial assistance to residential customers who may be struggling due to the COVID-19 pandemic and potentially serve as a means to help customers that are behind on their electric bills." Finally, it bears repeating that the Company's programs are required to be cost-effective and, while DEP is always considering ways to improve its programs, including its low-income programs, cost-effectiveness can be a hurdle in implementing changes to existing programs or developing new ones. Certainly, were SACE/CCL/NAACP to identify a cost-effective program or a cost-effective program improvement that would serve a particular customer segment, the Company would seriously and in good faith assess the feasibility of its implementation.

CONCLUSION

While SACE/CCL/NAACP offer several suggestions as related to its vision for DEP's EE/DSM programs, the Application filed in this case seeks Commission approval of Rider 12, the rate necessary to recover the Company's South Carolina-allocated EE/DSM costs for the test period, January 1, 2019 through December 31, 2019, and for the forecast period, January 1, 2021 through December 31, 2021; net lost revenues for DSM and EE programs as applicable; and program/portfolio performance incentives as applicable, in accordance with Commission Order No. 2015-596.

WHEREFORE, the Company requests that the Commission approve the Company's proposed Rider 12 to be effective January 1, 2021.

Respectfully submitted this 6th day of November, 2020.

Heather Shirley Smith, Deputy General Counsel
Duke Energy Carolinas, LLC
40 West Broad St., Suite 690
Greenville, SC 29601
Telephone: 864-370-5045
heather.smith@duke-energy.com

s/Samuel J. Wellborn
Samuel J. Wellborn
ROBINSON GRAY STEPP & LAFFITTE, LLC
1310 Gadsden Street
Columbia, South Carolina 29201
Telephone: 803-231-7829
swellborn@robinsongray.com

Attorneys for Duke Energy Progress, LLC